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Including gender pay equity in your remuneration policy

Leading organisations that are active in addressing gender pay equity include gender pay equity objectives in their remuneration policy.¹ This briefing note outlines the characteristics of a good remuneration policy which includes gender pay equity objectives.

What is a remuneration policy?

A formal policy on remuneration often includes an approved course of action and/or principles related to remuneration matters such as remuneration negotiations, remuneration scales if applicable, remuneration benchmarks, as well as details of how pay is usually set, structured, reviewed and communicated.

Why have a remuneration policy?

All organisations, regardless of size, can benefit from having a remuneration policy, regardless of whether remuneration is set by award, enterprise agreement or common law contract. Benefits include:

- ensuring consistency in remuneration-related decisions
- demonstrating that the process for setting remuneration is open and transparent
- communicating to employees how remuneration is set and what assistance is available to them in understanding remuneration and in discussing pay with their managers
- providing guidance to managers on determining appropriate remuneration decisions
- providing guidance to managers on avoiding bias, including gender bias, in remuneration decisions
- promoting sound and effective risk management.

Best practice snapshot

- ✓ Include gender pay equity objectives, particularly related to the reduction and elimination of like-for-like gender pay gaps, in the remuneration policy¹.
- ✓ Communicate the remuneration policy to managers, particularly managers with responsibility for performance reviews and remuneration decisions.
- ✓ Make the remuneration policy available to employees.
- ✓ Ensure that the remuneration policy is consistently applied across the organisation.

Benefits of a gender-equitable remuneration policy

Organisations that report to the Workplace Gender Equality Agency are required to report on whether they have a formal remuneration policy or strategy in place, and if specific pay equity objectives are included. The organisations responses to these questions can be viewed by current and prospective employees, suppliers, and other stakeholders.

For organisations with 500 or more staff, having a formal policy or formal strategy in place that includes pay equity objectives will mean the organisation satisfies the minimum standard required when reporting to the Workplace Gender Equality Agency in the 2014-15 and in subsequent reporting period.

¹ If pay is part of an organisation's enterprise agreement (EA), the objectives may be included there also.

The inclusion of specific pay equity objectives in a formal remuneration policy or strategy is a pre-requisite for an organisation to be named a WGEA Employer of Choice for Gender Equality.

It is recommended that organisations explicitly include gender pay equity related objectives in their remuneration policy. Incorporating gender pay equity objectives into a remuneration policy can assist an organisation to:

- improve the performance of the organisation
- provide market-competitive remuneration to attract, motivate and retain highly skilled employees
- drive a culture where financial rewards are directly linked to employee contributions and performance
- ensure that all reward decisions are made free from bias and support diversity within the organisation
- obtain outcomes that reflect commercially responsible decisions on remuneration.

Features of a gender-equitable remuneration policy

Gender pay equity objectives may vary depending on where your organisation is on the pay equity journey.² Key features that an organisation may include in its remuneration policy include:

- A statement of an organisation's philosophy on valuing and rewarding staff.
- A statement that the organisation is committed to gender pay equity (regular analysis, monitoring, communication and improvement where required).
- A commitment to conduct a gender payroll analysis³ at least every two years. Analysis should identify like-for-like gaps, by-level gaps and organisation-wide gaps.⁴ Leading organisations typically will conduct a gender payroll analysis at least once a year.
- Targets to reduce like-for-like, by-level and organisation-wide gender pay gaps each year until gender pay equity is reached.
- An explicit statement on where accountability for pay equity lies. This should include roles and responsibilities of people managers, human resources officers and employees in the remuneration process, and whether there is a remuneration review committee.
- The remuneration assessment model: details on the organisation's process for determining appropriate remuneration at commencement, promotion, lateral transfer, and annual remuneration review.
- A list of components of remuneration: fixed and variable.
- An overview of the remuneration structure: employees on common law contracts, enterprise agreements and awards.
- A clear outline on how key performance indicators (KPIs) are set for performance based pay, how performance is assessed against KPIs, and how performance ratings are reviewed in the organisation.
- An outline of the criteria for attraction and retention payments, bonuses, and other forms of discretionary pay.
- An outline of the process for reviewing commencement salaries for women and men, and the requirement for documenting reasons where higher commencement salaries are set.
- A list of the factors that influence remuneration such as individual performance, company performance, market position, internal relativities, global consistency, and local market conditions.
- An outline of the process for including employees on parental leave in annual salary reviews.
- An outline of the process for correcting inequities when discovered.
- Details of the remuneration approval process and appeals process.
- An outline of the non-salary elements of reward such as job challenge, flexible working environment, personal development, and career opportunities.

² Refer to the guide to pay equity for further details on the pay equity journey www.wgea.gov.au/addressingpayequity.

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⁴ An organisation-wide gender pay gap is the difference between the average remuneration of women and the average remuneration of men across the whole organisation resulting primarily from unequal gender representation at different levels of the organisation. By-level gaps are gender pay gaps between women and men at the same organisational level.